

Message Text

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PAGE 01 TOKYO 02342 180822Z

ACTION ABF-01

INFO OCT-01 EA-09 ISO-00 FSE-00 OPR-02 EB-08 COME-00

CIAE-00 INR-07 NSAE-00 PM-04 NSC-05 SP-02 SS-15

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TO SECSTATE WASHDC 5567

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E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: ASAHI INTERVIEW WITH PROFESSOR KLEIN

FOLLOWING IS FULL TEXT FRONT-PAGE ARTICLE ASAHI EVENING NEWS (ENGLISH DAILY) THURS, FEB 17, UNDER HEADLINE "YEN REVALUATION WILL HELP GIVE OOMPH TO WORLD TRADE: KLEIN." QUESTION AND ANSWER VERSION THIS ARTICLE, WHICH APPEARED IN JAPANESE LANGUAGE EDITION OF ASAHI SHIMBUN, IS BEING TRANSLATED AND WILL BE FORWARDED IN EMBASSY SUMMARY OF JAPANESE PRESS, BY POUCH. BEGIN TEXT: BY KOICHI KIMURA--SAN FRANCISCO -- "LAWRENCE R. KLEIN, PROFESSOR AT THE UNIV OF PA, WHO CAUSED A BIG INCREASE IN THE VALUE OF THE YEN BY PROPOSING A 10-PERCENT UPVALUATION OF THE YEN AND GERMAN MARK, SAID HERE ON FEB 15 THAT HIS TESTINONY IN CONGRESS WAS ONLY A PREDICTION BASED ON AN ECONOMETRIC MODEL AND THAT HE HAD NOT ARGUED FOR AN UPVALUATION.

IN AN INTERVIEW WITH THIS REPORRER, KLEIN POINTED OUT, HOWEVER, THAT IF THE YEN, MARK AND AMERICAN DOLLAR WERE UPVALUED TOGETHER, IT WOULD CONTRIBUTE GREATLY TO CORRECTING THE INTL MONETARY IMBALANCE.

AS THE ECONOMIC BRAIN OF THE NEW CARTER ADMINISTRATION,
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PAGE 02 TOKYO 02342 180822Z

KLEIN HAS ASKED JAPAN TO STIMULATE ITS ECONOMY SAYING THAT IT IS JAPAN'S INTL RESPONSIBILITY TO ACHIEVE AN ECONOMIC GROWTH RATE OF AT LEAST 6.7 PERCENT.

IN THE INTERVIEW, KLEIN EMPHASIZED THAT IF THE U.S. WEST GERMANY AND JAPAN EACH IMPROVED THEIR ECONOMIC GROWTH

RATES BY ANOTHER 1 PERCENT, IT WOULD HAVE A BIG EFFECT ON THE ECONOMIC RECOVERY OF THE WORLD. BUT HE SAID THAT ALL THREE COUNTRIES MUST ACT TOGETHER AND EXPRESSED THE HOPE THAT WEST GERMANY AND JAPAN WOULD FOLLOW THE LEAD OF THE U.S. IN TAKING STEPS TO STIMULATE THEIR ECONOMIES.

HE BELIEVES THAT IF JAPAN IS TO FULFILL ITS ROLE, IT MUST ACHIEVE A MINIMUM ECONOMIC GROWTH RATE OF 6.7 PERCENT IN FISCAL 1977, WHICH IS WHAT THE GOVT HAS SET.

KLEIN SAID THAT IN VIEW OF ITS CAPACITY, BY EXERTING THE SAME EFFORTS THAT THE U.S. NEEDS TO IMPROVE ITS GROWTH RATE BY 1 PERCENT, JAPAN CAN IMPROVE ITS GROWTH RATE BY 2 PERCENT.

ASKED ABOUT THE EFFECTS OF THE U.S., WEST GERMANY AND JAPAN TAKING STEPS TO STIMULATE THEIR ECONOMIES, KLEIN SAID THAT IF EACH OF THE THREE COUNTRIES IMPROVED ITS GROWTH RATE BY 1 PERCENT, THE VOLUME OF TRADE AMONG THE MEMBERS OF THE OECD WOULD INCREASE BY 1 PERCENT IN THE FIRST YEAR AND BY 1.3 PERCENT IN THE SECOND. THIS WILL HAVE BENEFICIAL EFFECTS ON OTHER COUNTRIES, WHICH, IN TURN, WILL IMPROVE THE EXPORTS ENVIRONMENT FOR THE U.S., WEST GERMANY AND JAPAN.

REGARDING THE FACT THAT HIS STATEMENTS IN CONGRESS HAD CAUSED FLUCTUATIONS IN THE CURRENCY MARKET, KLEIN SAID THAT HIS STATEMENTS WERE ACADEMIC AND THAT HE HAD NOT PROPOSED THAT UPVALUATIONS ACTUALLY BE CARRIED OUT. HE SAID THAT,

UNCLASSIFIED

PAGE 03 TOKYO 02342 180822Z

ACCORDING TO AN ESTIMATE, IF THE DOLLAR, MARK AND YEN WERE UPVALUED TOGETHER, IT WOULD CONTRIBUTE GREATLY TO CORRECTING THE U.S. MONETARY IMBALANCE.

IN CONNECTION WITH CONCERN THAT THE CARTER ADMINISTRATION MAY ADOPT A PROTECTIONIST STAND ON TRADE, HE SAID THAT HIS CHIEF ECONOMIC ADVISERS WERE TELLING PRESIDENT JIMMY CARTER THAT HE SHOULD STICK TO FREE TRADE PRINCIPLES BY STIMULATING THE AMERICAN ECONOMY AND GIVING THE PEOPLE EMPLOYMENT OPPORTUNITIES.

KLEIN POINTED OUT THAT QUANTITATIVE RESTRICTIONS ARE BEING IMPOSED ON SHOE IMPORTS FROM ITALY, BRAZIL AND SPAIN AND THAT THIS WOULD BE A TEST CASE FOR CARTER WHO IS SAYING HE WILL NOT TAKE A PROTECTIONIST STAND.

REGARDING THE LIKELY EFFECTS ON THE AMERICAN ECONOMY OF CARTER'S TWO-YEAR PLAN TO INCREASE GOVT SPENDING, HE PREDICTED THAT THE GROWTH RATE OF THE AMERICAN ECONOMY BETWEEN

1977 AND JOUI WOULD BE BETWEEN 4 AND 6 PERCENT AND THAT THE
UNEMPLOYMENT RATE WOULD DECREASE BY 1 TO 1.5 PERCENT.
IN ORDER TO ACHIEVE THE GOAL OF FULL EMPLOYMENT BYQ
1980, HOWEVER, KLEIN SAID THAT LONG-TERM POLICIES, INCLUDING
AN ENERGY POLICY, WOULD HAVE TO BE ADOPTED.

HE BELIEVES THAT THE JDTP TAX REBATE WILL BE EFFECTIVE
BECAUSE PEOPLE WILL SPEND THE MONEY RATHER THAN PUTTING IT
INTO SAVINGS. HE SAID THERE ARE NO IMMEDIATE WORRIES ABOUT
INFLATION EVEN IF DEMAND SHOULD SUDDENLY INCREASE, SINCE
THE OPERATION RATES OF AMERICA FACTORIES ARE LOW.Z
SHOESMITH

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Disposition Case Number: n/a
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TAGS: EFIN, ECON, ECIN, JA, GE, US, (KLEIN, LAWRENCE R)
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